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Home Equity Dissavings Plans for the Elderly

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I INTRODUCTION

With the erosion of purchasing power by inflation some homeowners with substantial equity in their homes are experiencing difficulty in maintaining modest standards of living. This situation is particularly exaggerated amongst older homeowners who tend to possess most, if not all, of the equity in their homes but whose day to day living expenses may be limited to little more than government pensions. To this point, there has been no option for such asset rich-cash poor Albertans to translate some of their equity into a cash flow which could be used to ease budgetary problems or permit discretionary expenditures.

Central Mortgage and Housing Corporation has found that based on a cross-Canada sample (1972), over 40% of homeowners in their retirement or preretirement years with an income of less than $10,000 per annum had equity in their houses in excess of $20,000.[1] By 1974 the ratio has risen to over 75% in urban areas.[2] Of the cities surveyed, Edmonton and Calgary both had a higher than average proportion of low income homeowners age 55+ with larger amounts of equity than the Canadian average. These figures indicate a need for some means of senior citizens translating their equity in their homes to cash flow.

In the light of recent publicity surrounding this topic and its relative complexity, the Alberta Home Mortgage Corporation Board at its February 15th, 1979 meeting requested that the Policy and Planning Division of Alberta Housing and Public Works undertake a study into the idea. In response, the following

1 Survey of Households, Incomes, Facilities and Equipment; Statistics Canada, 1972

2 Survey of Housing Units; CMHC. 1974

paper summarizes the current state of the art of this subject in Canada, the U.S. and Britain, the rationale for such schemes, types of plans currently in existence, institutional and legal constraints currently impacting on the adoption of such schemes, and some factors relating to the market potential of such plans in Alberta.

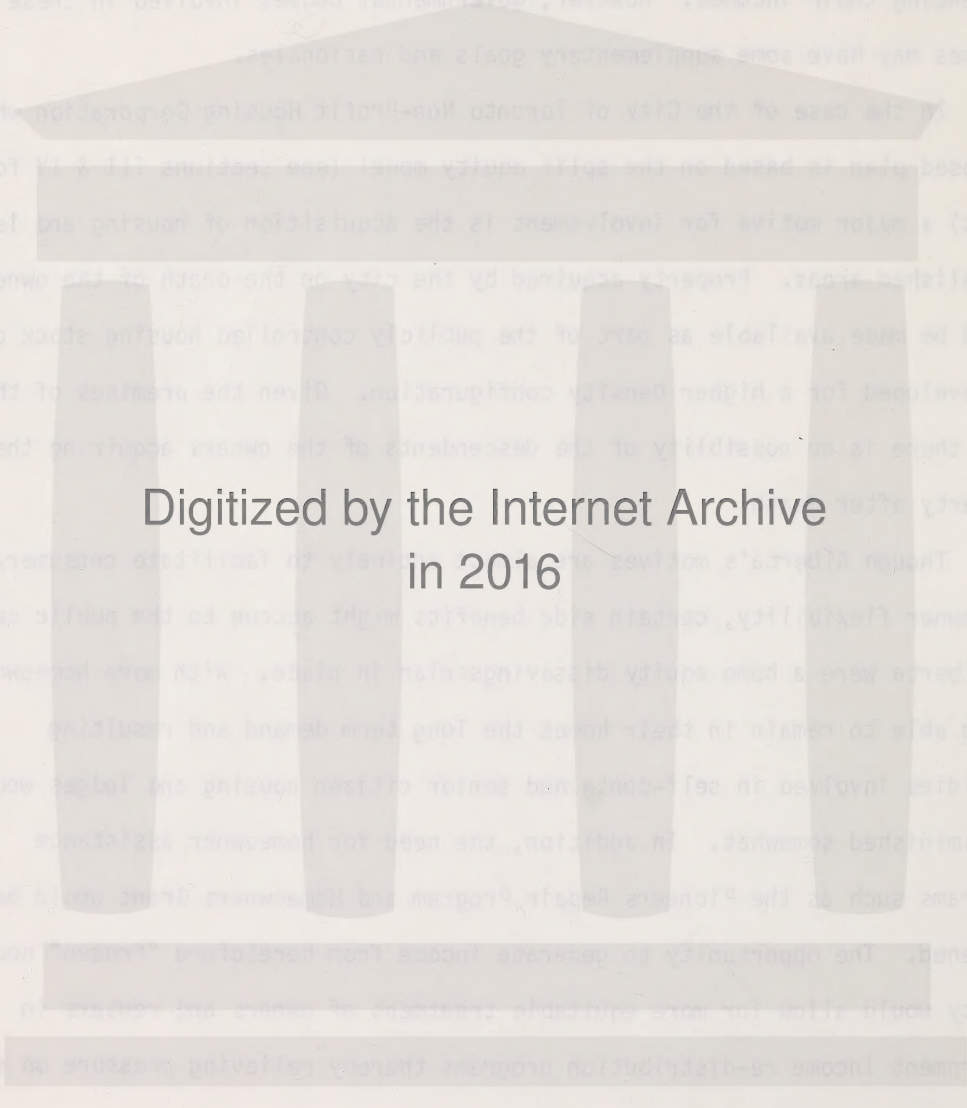
II THE RATIONALE FOR HOME EQUITY DISSAVINGS PLANS

As has been indicated earlier, the primary objective of any of the housing dissavings plans is to allow homeowners to remain in their homes while augmenting their incomes. However, governmental bodies involved in these schemes may have some supplementary goals and rationales.

In the case of the City of Toronto Non-Profit Housing Corporation whose proposed plan is based on the split equity model (see sections III & IV for details) a major motive for involvement is the acquisition of housing and land in established areas. Property acquired by the city on the death of the owner would be made available as part of the publicly controlled housing stock or be re-developed for a higher density configuration. Given the premises of this plan there is no possiblity of the descendents of the owners acquiring the property after death.

Though Alberta's motives are almost entirely to facilitate consumer/homeowner flexibility, certain side benefits might accrue to the public sector in Alberta were a home equity dissavings plan in place. With more homeowners being able to remain in their homes the long term demand and resulting subsidies involved in self-contained senior citizen housing and lodges would be diminished somewhat. In addition, the need for homeowner assistance programs such as the Pioneers Repair Program and Homeowners Grant would be lessened. The opportunity to generate income from heretofore "frozen" housing equity would allow for more equitable treatment of owners and renters in government income re-distribution programs thereby relieving pressure on such programs.

For the senior citizen the planned and gradual means of dissipating equity that the dissaving plans involve would provide another tool for



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effective planning with respect to taxation since the amount of taxable income in any given year flowing from recovery of equity would be decreased. As well as providing some security of tenure and a cash flow most of the dissavings plans would permit the homeowner to retain some equity and thus continue to accrue the capital gains of real estate appreciation as a hedge against inflation.

III TYPES OF HOME EQUITY DISSAVINGS PLANS

Since home equity dissavings plans are essentially commercial transactions between the homeowner and financial institutions, the potential for different types of plans is as limitless as the imagination and ingenuity of the parties involved. To focus discussion, only the basic forms will be dealt with here. It is likely that any permutation or combination of those plans discussed is possible and can be packaged if there are compelling policy or marketing motives for doing so.

Rather than merely listing in abstraction the various types of vehicles for implementing a home equity dissavings program and defining the parameters of each the approach taken below is to highlight some of the key features of plans and use these as a basis for distiguishing between them.

A. RETENTION OF EQUITY

A.1 Non-Retention of Equity

Under plans of this type the homeowner surrenders all of his equity in his home in return for security of tenure with the possiblity of a cash flow being payable to him and rent payable by him. Plans of this type are:

a) Split Equity
Under this scheme, in exchange for a life estate (security or tenure for life) and an income or lump sum payment the homeowner surrenders the reversionary interest (equity after death) in the property to the investor;

b) Sales Leaseback
This plan involves a sale of the property conditional upon the former owner being offered a lease to rent it under specified terms.

By definition, any plan where all equity is relinquished denies potential for bequest to future generations. Since almost all parties questioned in collecting information for this analysis indicated that the lack of opportunity for bequests would inhibit the marketability of a home equity

dissaving plan, it is doubtful that this type of plan would achieve success in the marketplace since it denies even minimal partial bequests. Combining this with the fact that this type of plan denies the heretofore homeowner from keeping up with inflation through capital appreciation, it is doubtful that this type would attract much interest. Furthermore, the lack of a vested interest in the program provides no incentive for good maintenance of the property.

A.2 Retention of Marginal Equity

Plans of this type set a limit to the debt/equity ratio and thus the title to the program remains with the homeowner or his estate. The potential for bequest is preserved and an incentive to maintenance is built in. A wide variety of plans can exist where equity is maintained. They are more fully defined according to the criteria below.

B. DEBT ACCUMULATION/LEVEL

The maximum debt level, terms of repayment etc., are usually set at time of contracting. However, the debt against equity may be incurred gradually through time or as a lump sum at initiation.

B.1 Rising Debt Through Time - "Reverse Mortgage"

Under this type of arrangement a disbursement schedule is designed such that the homeowner receives only approximately what income he requires for expenditure at intervals approximating his requirements for such supplementary income. These periodic payments and interest on them at agreed upon terms form the reverse mortgage on the property.

B.2 Fixed Debt - " Mortgage/Annuity"

Plans of this variety consist of the homeowner taking out a mortgage on a set amount with repayment of interest only being required until the term has expired. The resulting lump sum is invested in an annuity which is paid out to the homeowner through time. Where one institution markets both the mortgage and the annuity all the homeowner sees is a net pay out.

C. TERM

C.1 Defined Period - Term Certain

Plans with a defined term require repayment of principal upon expiration. Should the low income elderly homeowner outlive the "term certain" and his house not have appreciated since the commencement of the dissavings program to permit additional re-financing, he will have to sell the house to repay the mortgage. Selection of a standard term (e.g. 5 or 10 years) without reference to projected ability and willingness to remain in one's home, can turn a dissavings program into a nightmare, forcing the homeowner out of his house earlier than he would otherwise have vacated (rather than permitting him to stay longer as intended). If the homeowner is reluctant to pre-determine a date for leaving his home, an alternative is to become involved with a dissavings plan of fixed term equal to his life expectancy. With such a term there is a 50% chance that he will outlive his plan and be forced to sell his property. The life expectancies of Albertans of various ages are indicated in Appendix 1. For those unwilling to accept this probability an alternative is

C.2 Life Annuity

Such plans guarantee security of tenure and on-going pay out for life. However, they do so at a heavy price in terms of diminished cash flow from the plan for the plan issuer must provide itself with a "cushion" against the contingency of a disproportionate number of their clientele outliving the life expectancy tables. Despite this criticism they can be valuable for those for whom security is of primary importance or who because of age, marital status and health are advantaged by the life expectancy tables. A hybrid means of assuring lifetime security at lesser cost is a plan incorporating both a fixed term dissavings plan and a deferred life annuity.

As was stated, the various plan types, sub-types and characteristics can be packaged in innumerable ways. These variations can be combined with different frequencies of re-appraisal variable date pay outs to complement changing income with age, re-consideration of interest rates and other variables.

IV EXPERIENCE IN BRITAIN, THE U.S. AND CANADA

While the equity dissavings plans are relatively new in Canada, such schemes have been in operation in other countries for many years. For instance, different types of dissavings plans have been developed in the United States and Britain for the family and elderly homeowners. (Appendix II summarizes the classification of these plans by the various types described in Section III.)

A. EXPERIENCE IN BRITAIN

A.1 The Home Income Plan[3]

The Home Income Plan was introduced in June 1972 by Hambro Provident Assurance Ltd., a member of the Hambro Assurance in England. Basically, the company provides the senior citizen with a mortgage loan of up to 80% of the valuation of the house. The minimum loan amount is £8000, which means the house must be worth at least £10000. The mortgage repayment is on an 'interest only' basis and the capital is repayable on death of the planholder. The loan is applied in purchasing a life annuity and part of the income from the life annuity is used to pay the interest on the loan. The difference will be the monthly payment to the planholder. Since the loan interest qualifies for tax relief under The Finance Act, the planholder may also benefit from a tax refund.

In general, the Home Income Plan is restricted to males aged 65 or over and females aged 68 or over. For married couples, both must be aged 72 or over. While there are certain restrictions to the Plan, the Home Income Plan can be adapted to meet some special situations. For example, a special plan called 'Capital Protection Plan' was designed for

[3] See program brochure (Appendix III), "The Home Income Plan" published by the Hambro Provident Assurance Ltd., London, England, 1975

single persons (minimum ages male 68, female 72) who have a health problem and are concerned about the possibility of early death. Under this Plan, a person can choose to receive a slightly lower income than under the normal basis, but the insurance company guarantees that on early death the remaining capital sum will be refunded to the estate. Similarly, under the 'Cash sum at outset plan', the person can obtain 8% of the loan as a cash sum at outset and slightly reduced income for life. In the case of a married couple, the payment continues and the capital is not repayable until the second death.

Although the mortgage interest is at a fixed rate during the planholder's lifetime, the rate for the normal 'ceasing in death plan' is lower than the rates for the Capital Protection Plan and the 'cash sum at outset plan'.

A.2 In addition to the Home Income Plan, authorities contacted mentioned that a public sector dissavings program was introduced in Britain in the late 1950's. This program is administered through the Local Municipalities. Originally the loans were registered as a lien against the property after death. The initial take-up of the program was poor until the lien provision was lifted.

B. U.S. EXPERIENCE

B.1 Federal Home Loan Bank Board

At the beginning of 1978, the Federal Bank Board published findings from its Alternative Mortgage Instruments Research Study which reviewed and analysed a number of new mortgage instruments. In this study the author has advocated the use of Reverse Annuity Mortgages for the elderly homeowners.[4]

[4] Donald Edwards, "Reverse Annuity Mortgages" The Alternative Mortgage Instrument Research Study, Federal Home Loan Bank Board, Washington D.C., November 1977

On July 24, 1978 the Federal Home Loan Bank Board adopted a resolution proposing a number of new mortgage instruments for use by Federal savings and loan associations. One of the Alternative Mortgage Instruments called the "Reverse Annuity Mortgage" (RAM) involves payments to homeowners based on accumulated equity. Since this type of plan may vary greatly the Bank Board's proposal did not provide specific rules, but required submission and approval on a case-by-case basis.

Later in December 1978, in light of various requests for guidance, the Bank Board set forth final regulations with minimum RAM requirments and particularized disclosure provisions to ensure adequate consumer protection and industry guidance.

Under the new regulations, the 'approval' requirement has been changed to a review procedure with a 60-day period for objections. The new plan requirements include:

- guaranteed refinancing at the end of any fixed term
- prepayment at any time without penalty
- loan applicant shall not be bound for seven days after loan commitment
- interest rate shall be fixed at loan origination
- if the payments are to be made to the borrower through purchase of an annuity, the association shall use an insurance company to engage in such business.

In addition, the following disclosures are required:

- information pertaining to payments to and from the borrower, such as insurance and property tax
- schedule of outstanding debt over time
- a description of any contractual contingencies which could force sale of the home
- information concerning any purchased annuity plan
- fees, charges and interest rate
- a description of prepayment and refinancing features
- repayment date or event which causes loan to become due
- a statement advising applicants to consult with appropriate authorities regarding tax and estate planning consequences of RAM.[5]

[5] Bank Board Resolution No. 78-708, Federal Home Loan Bank Board, Washington, D.C., December 1978

B.2 Department of Savings and Loans, California[6]

Prior to the amendments to the Rules and Regulations for the Federal Savings and Loan System, the Department of Savings and Loans in California had adopted similar regulations authorizing the state-licensed associations to make reverse annuity loans. The purpose of these regulations is to allow the state-licensed associations to experiment with the new mortgage instruments over a four-year period. It is intended that the experience and information gained will be used to design permanent loans and regulations in the future.

The scheme in California is called 'Reverse Annuity Loan' which is very similar to the Federal RAM. Basically, the regulations permit the associations to grant a loan not exceeding 95% of the value of the security property. The loan is repayable upon the death of the borrower or the last surviving borrower, or upon the prior sale of the property. The association may act as agents for the borrowers in the purchase of annuities from the life insurance company. Annuities paid to the borrowers may be either for life or for a specified term. Full disclosure to the borrower is also required under the regulations.

Although the regulations were adopted in February 1978, it was mentioned that to date the Department in California has not had any forms or plans submitted by any of the associations for approval.

B.3 Broadview Savings and Loan, Cleveland, Ohio[7]

So far, only Broadview Savings and Loan of Ohio from the industry has announced the implementation of a reverse mortgage type plan. The

6 "Alternative Mortgage Instrument Loan", subchapter 7.8, Regulations of the Savings and Loan Commissioner, State of California, February, 1978.

7 See program brochure (Appendix IV), "Equi-Pay" published by Broadview Savings, Ohio, 1978.

plan offered by Broadview Savings is called "Equi-Pay" which is a system of dissaving homeowner equity over five, seven or ten year periods. The monthly payments under this plan may range from $120 to $1500 depending upon the value of the home and the selection of the term.

Under Equi-Pay, Broadview will loan up to 80% of the appraised value of a home, making monthly payments to the homeowner for the term period. Each month, the homeowner must in turn pay interest on funds disbursed, plus a nominal $1 to apply on principal together with one month's real estate taxes and insurance.

At the end of the plan, the homeowner is faced with two options: a) sell the property and repay the debt, (in fact, the property can be sold by the homeowner at any time and the loan paid off without penalty) or b) negotiate for another term if there is sufficient equity in the property. Otherwise the loan will be placed on a regular amortization schedule.

The distinct disadvantage of the Equi-Pay is that it does not guarantee lifetime residency as offered under the annuity purchase scheme. However, the montly payments incurred with this type of program are generally higher.

B.4 County Welfare Department, Iowa

Another scheme which is very similar to the reverse mortgage-type plan provided by the Savings and Loan Company is the dissaving program administered by the County Welfare Department in Iowa. This program was originally brought in during the depression as an alternative to the welfare program. At present, the program is primarily for senior citizens although it was initially designed for all owning households. (Details on the Iowa Program are not available at time of writing.)

C. PRIVATE LENDING INSTITUTIONS IN CANADA

Telephone surveys through Canada show that several major Trust Companies and Credit Unions have investigated the various reverse mortgage/annuity options, in particular the fixed term reverse mortgages. However, only Metropolitan Trust of Toronto has embarked on a reverse mortgage program to date.

C.1 Metropolitan Trust, Toronto[8]

In March 1979, Metropolitan Trust Co. of Toronto announced its first reverse mortgage type plan called 'Reverse Income Mortgage'. Under the plan, the homeowner may borrow a loan up to the maximum not exceeding 75% of the current value of the property in ten year's time. The interest rate is determined annually; and Metro Trust guarantees that the rate will be no more than one quarter of a percentage point higher than the average offered by Canada's three largest trust companies. Each year, the planholder receives a lump sum with the annual interest deducted from the amount. The planholder also pays the initial legal fees and the annual inspection fee. The principal then accumulates in the form of a mortgage.

There are presently no age limits or income requirements. The Independent Income Mortgage is an open mortgage and if one spouse dies during the 10-year term, the mortgage may be repaid without penalty or be continued. After the 10 years term, the planholder is faced with three options: a) convert into a regular first mortgage, b) renew for another term if there is sufficient equity in the property and c) sell the property and pay off the principal.

Since this plan is strictly a reverse mortgage plan and does not involve the purchase of a life annuity, which is the sole domain

[8] See program brochure (Appendix V) "The Independent Income Mortgage" published by the Metropolitan Trust Co., Toronto, Ont., March, 1979.

of life insurance companies, it does not conflict with existing legislation. Furthermore, the income from the mortgage is tax free because it is essentially a loan.

In the area of market research, the official of the company mentioned that they have tested the plan with some senior citizen groups representing both the low income and the higher income elderly and received a favourable response. It was also mentioned that after further market analysis, Metro Trust may market their 'Reverse Income Mortgage' plan across Canada.

C.2 B.C. Central Credit Union

B.C. Central Credit Union has also examined the various annuity/ dissavings options in attempt to develop a financial package which is most beneficial to the lender as well as the homeowner. The Credit Union's option is to incorporate the advantages associated with all plans, i.e. lifetime residency together with maximum payments for the homeowners.

Essentially, the plan is based on the present value of the equity in a home over the life expectancy of the homeowner. The Credit Union would make monthly payments to the homeowner over the life expectancy period. In the event of joint tenancy, payment is based on the longevity of the person considered to live the longest. Should the homeowner exceed his/her life expectancy, the homeowner has the following options at the end: a) repay the loan in the form of mortgage payments, b) repay the loan from the proceeds of the house and c) renegotiate for a further term. The advantage of this program is that it relates to the longevity of the homeowner, and it generally results in a higher payment than the life annuity option.

While no specific market research has been done, the B.C. Central Credit Union later decided not to pursue such a program concluding that the market was not sufficient.

C.3 Other Trust Companies contacted have also studied the various reverse/annuity schemes, but they have no intention to introduce such a program at this time. They are generally concerned about the senior citizens' receptiveness. Furthermore, since the mortgage loan would be registered as a lien against the property, the eventual involuntary sale of the house at the end of term could result in adverse publicity for the company.

D. OTHER PROVINCES IN CANADA

Most of the government officials surveyed are positive to the idea of an equity dissavings plan which enables elderly homeowners to remain in their own house. Furthermore, there is a strong interest in the investigation of such schemes. However, there are mixed feelings as to what extent the government should be involved in the development of such programs. (Refer to Table 1 which summarizes the general response from other Provinces.)

At present, consideration of such a program in most Provinces is still in the preliminary stages. So far, only Central Mortgage and Housing Corporation and the City of Toronto have conducted further research on this subject. CMHC has prepared an initial analysis of reverse mortgages and is in the process of preparing a more detailed study. Moreover, CMHC has contracted an actuary to work through the assumptions of various schemes and to develop a computer program involving various factors such as lending rates, housing costs, longevity statistics, etc. Their rationale for such a reverse mortgage type program is to increase housing and income options for elderly homeowners.

The possible role of CMHC in the reverse mortgage type program is uncertain at the present time. CMHC could act as an insurer only or set up such a program initially and turn it over to private institutions.

On the other hand, the City of Toronto Housing Department has embarked on market research to study the magnitude of demand for such a program in Toronto. The findings of the Consultants' report have yet to be released. Some officials see the possibility of the City getting involved in issuing reverse mortgage loans in return for possession of the houses after the death of the owner. (Table 1 following is a summary of provincial activities.)

TABLE 1: A SUMMARY OF PROVINCIAL ACTIVITIES*

PROVINCE	REACTION TO CONCEPT	EXPERIENCE WITH THE SUBJECT	RATIONALE FOR SUCH A PROGRAM	ROLE OF THE GOVERNMENT	PROBLEMS PERCEIVED
British Columbia (Consumer & Corporate Affairs)	- Positive	- No specific research done; but had some responses from private financial institutions re their positions vis a vis RAM.	- Respond to consumer need.	- Undecided - One suggested the government being the money-lender.	- Encourages under-utilization of housing.
Ontario (City of Toronto Housing Dept.)	- Positive in terms of opportunity to acquire housing stock in older neighbourhoods.	- A market research on consumer acceptance of their proposed scheme and potential demand for the program. (Results will be available at the end of March.)	- To build up housing stock and to obtain control of housing. - Perceived as a housing program other than income program.	- Government involvement in purchase but administered privately.	- Marketing problem.
Nova Scotia Housing Commission	- Positive	- A joint committee composed of private lenders and members of the Housing Commission was set up; and a background paper was prepared and submitted to the higher level of govt. - No specific market research done. - Mechanics not worked out.	- Perceived as alternative to constructing senior citizen housing.	- Undecided, but could be government involvement through guaranteed loan.	- Large number of older houses in the Province. - Declining value of the older housing stock may cost government in the future.
New Brunswick Housing Corporation	- Quite positive but not much discussion in the Province.	- At the preliminary stage of requesting related information of the subject. - No research done (but there is a potential market, since 80% of the seniors are homeowners).	- To supplement the income of the seniors, and has no intention to take possession of the houses.	- By private sector. Government should not be involved in the provision of such mortgages.	
Quebec Housing Corporation	- Positive in view of the income problem of most seniors.	- Started looking into this subject, no proposal yet. - Currently undertaking a global study of seniors' income, housing situation,etc. The report will serve as background information for the development of the scheme in the future. - The idea of a dissaving plan was discussed in a convention; general reaction from the Sr. Citizen groups was positive.	- The scheme is considered as part of the solution to the income problem of the elderly. - To reduce government costs in other Sr. Citizen Programs.	- No direct government involvement but the loan could be provided by a non-profit Corporation sponsored by the government.	- May have problems developing a scheme that is acceptable and beneficial to the seniors.

*-It should be noted that the comments do not necessarily represent official provincial policies.
-There is no reverse annuity mortgage type program in place in Manitoba and Saskatchewan.

VI INSTITUTIONAL AND LEGAL CONSTRAINTS IN CANADA

> ".....many institutional problems facing RAMS (Reverse Annuity Mortgages) concern form rather than substance....."[10]

The above statement by an official of the Federal Home Loan Bank Board in the U.S. is equally true in Canada. Virtually any of the home equity dis-savings models could be implemented in Canada without special legislation or constitution of new organizational forms. However, this is not to say that this could be accomplished with ease. Rather, with the application of some degree of ingenuity they could be made operational.

A. INSTITUTIONAL CONSERVATISM

The greatest impediment to progressive housing dissavings plans in Canada is the reluctance of the traditionally ultra conservative financial community to become involved. Part of this is simply fear of the unknown. Part of it is due to a concern for the marketability of such plans to a sufficiently large population to turn a profit. Specific apprehensions surround the possibility of not being able to recover the pledged capital on maturation of the mortgage due to either physical deterioration of the relatively older structures in which senior citizens tend to reside or a general decline in property values in such predominantly older areas. The unavailability of mortgage insurance to protect against these contingencies precludes any sharing of this totally undefined type of risk.

B. LEGAL COMPLICATIONS

A legal restriction discouraging the involvement of the financial community in life guaranteed dissavings plans is the limitation to life

10 Edwards, Donald: "Reverse Annuity Mortgages", a part of the Alternative Mortgage Instruments Study, Donald Edwards, Federal Home Loan Bank Board.

insurance companies of the sale of any type of life annuity (Alberta Insurance Act). The result of this restriction is that the most prominent mortgage lenders, the trust companies, credit unions and banks, cannot independently offer a life term dissavings plan. The required dependence on the availability and co-operation of a life insurer no doubt tends to inhibit mortgagers' enthusiasm for this type of plan since their control of the total plan and resulting profit is limited. This problem however is not insurmountable. Some presently available solutions are:

a) The use by the homeowner of an insurance broker to purchase the annuity once he has obtained the principal of an interest only mortage.

b) The establishment of working relationships between mortgage lenders and insurers.

c) The establishment under an overall holding company of a life insurance company as well as a lending agency (exists already in at least one case in Edmonton).

d) The encouragement of the life insurers to take a pioneering role as both lenders and issuers of annuities.

Though indeed possible, life guaranteed dissavings plans are sufficiently complicated by present legislation that both homeowners and financial institutions may be reluctant to even try to set them up.

C. TAXATION IMPLICATIONS

Only tentative statements can be made about the income tax status of home dissavings plans since Revenue Canada will not provide free or hasty interpretations of hypothetical or proposed circumstances. However, applying general principals used by Revenue Canada, it can be fairly safely assumed that pure reverse mortgages would have no effect on taxation as the cash flow to the homeowner generated in reality is principal of a loan rather than income. Mortagage/Annuity plans would

result in a fairly complicated situation as regards taxation. The entire interest portion of the annuity disbursed to the homeowner would be considered as taxable income in all cases. If the mortgage/annuity contracts permitted either (or both) of the interest rates on the mortgage and the annuity to vary during the term of the plan, it is likely that all of the mortgage interest would be considered deductible as an investment expense. This would result in a net deduction in taxable income (if the homeowner had taxable income) due to the "spread" between mortgage and annuity rates. On the other hand, if the two interest rates, annuity and mortgage, were irr voc ably "locked in" for the entire term of the plan, it is likely that Revenue Canada would not allow the deductible amount of mortgage interest to exceed the corresponding income derived from the annuity. In this case the net effect on taxable income would be nil.

Though Guaranteed Income Supplement (and AAIP) definitions of income generally follow the lead of Revenue Canada, there seems to be some doubt as to whether cash flow from the rising debt reverse mortgage of Metro Trust will be viewed for GIS purposes as the principal of a loan or as income. Alberta Housing and Public Works has been in communication with Health and Welfare Canada on this matter and will be provided with a decision as soon as it is available.

VII FACTORS AFFECTING MARKET RESPONSE TO DISSAVINGS PLANS

A. DESIRE TO BEQUEST

The limitations of the homeowner's ability to bequest all accumulated equity to family would be the most dominant factor in deterring market acceptance of dissavings plans. The experience and opinions of authorities knowledgeable in this area are almost unanimous that the loss of bequest capability would seriously diminish the take-up of any such program notwithstanding the fact that generally the offspring of the elderly homeowner would be at the peak of their career earnings pattern. However, the degree to which such concern would condition reluctance to participate is not known. Empirical verification of this attitude as a factor is provided by the extremely limited utilization of senior citizen property tax deferral programs in Ontario and B.C. Very few people have participated in these programs which exchange a waiver of property taxes for an equivalent (and hence small) lien on the property.

B. COMPETING GOVERNMENT PROGRAMS

In the case of Alberta particularly, the abundance and generosity of government housing programs geared to the needs of the elderly will, no doubt, have removed from the market for dissavings plans a substantial number of homeowners who otherwise would have been interested. The Senior Citizens Home Improvement Plan and Pioneers Repair Program will have provided that extra bit that will permit some homeowners to remain in their homes with sufficient comfort as to have no need or desire to realize their equity. The relative easy access to Senior Citizen Self-Contained Housing and the Core Housing Incentive Program have presented alternatives to others who do not feel strongly about remaining in their own home in

later years.

C. ADMINISTRATIVE PROBLEMS

Some of the operational aspects of dissavings plans operate in ways to discourage participation of financial institutions.

One such factor is the rather large requirement for start up capital due to the total deferral of repayment of capital until the end of the term of the plan. This results in a heavy and long term draw on the capital of an agency that may well be commencing from a position of hesitancy.

The unconventional nature of the legal and institutional arrangements required to effect dissavings plans may well result in high developmental and administrative costs for the financial institution which will pass these on to the homeowner thereby diminishing the net cash flow and attraction of the plan.

D. MAINTENANCE

It was indicated earlier that the mortgagor participates in a dissavings plan on the assumption of at least stability in property values though realizing there is some risk in this given the age and structure of the home. The apparent risk is increased when one considers additional potential for depreciation due to poor maintenance. Concern over the ability of the elderly to do proper maintenance and of their willingness to do so when their equity is relatively small may cause some mortgagors to withold their participation from the market.

E. COMMUNICATIONS PROBLEMS

At least one major lender contacted was reluctant to become involved in dissavings plans, even if the market is there now and growing,

out of concern about erosion of the market by adverse publicity springing from misunderstanding of the plans. Examples here cited were an elderly individual being forced to sell his home at the end of a fixed term contract or in the case of a life contract the homeowner dieing very shortly after the commencement of the plan. Though the potentiality of both of these circumstances would have been made clear to the homeowners at the time of taking out the plan adverse publicity about such circumstances could scare away a considerable portion of the potential market from such plans.

A related problem is that of making these relatively complex plans comprehensible to the unsophisticated senior citizen with considerable concerns for security. Unless this can be done efficiently there is no doubt that these people will shy away from the plans.

VII FUTURE DIRECTIONS

The discussion that has taken place in the previous chapters has indicated that a) home equity dissavings plans are relatively complex programs to develop and administer and b) very little significant market research has been carried out anywhere to determine the need, demand, or acceptability of such schemes. Nevertheless, several factors are readily apparent which lend support to the idea of government or the private sector pursuing the development of home equity dissavings plans.

1. Demographics suggest that the number and percentage of Canada's population that are elderly will grow dramatically. In 1971 Canada had 1.7 million elderly (65+) representing 8.1% of the population. By 1986 the number is projected to rise to 2.5 million or 9.3% of the population.

2. Mortgage funds will become more and more plentiful in the future as housing requirements resulting from new household formations grow at a much lower rate. Researchers estimate that by the end of the century actual housing requirements will be 40% lower than they are today.

3. Attitudes of the elderly towards bequesting property to their children are changing. Today, the elderly are less concerned about passing on their homes to their children, particularly as their children are more mobile and have considerably higher income than they did in the past.

4. Government's attitudes towards encouraging elderly to stay in their own homes is changing. Particularly in Alberta, where Home Care and the Pioneer Repair Program (previously SCHIP) have been introduced, the government has encouraged elderly to stay in their own homes as long as possible. Home equity dissavings programs would assist in this policy.

5. The move in recent years to control or cut back government expenditures in subsidized housing has resulted in the concept of home equity dissavings plans being looked at more seriously by government. Currently, the Provinces of British Columbia, Quebec, New Brunswick and Nova Scotia are examining such ideas.

6. Legislation has now been passed in the U.S. allowing savings and loan associations to offer reverse annuity mortgages and Metro Trust in Toronto has recently announced the first Canadian reverse mortgage scheme. It is expected that in time, with experience developed, other lending institutions in Canada will want to move into this area.

7. There appears to be no serious legal barriers to the introduction of such schemes in Canada by lending institutions. While only life insurance companies can offer life annuities, life insurance companies can work with lending institutions.

In spite of the above, two major issues need to be resolved before significant progress can be made towards developing a home equity dissavings plan in Alberta. First, the role of government and the private sector must be more clearly defined. Second, the market for such a program could be more carefully researched.

In regards to the first question, it is recommended that such schemes should be financed and handled by private lending institutions and not the government. The Province now offers several programs to help keep senior citizens in their own homes, e.g. the Home Care Program, Pioneers Repair Program, & the Alberta Assured Income Plan. In regards to the second question the province could possibly carry out further discussions, surveys and research on the concept. The provision of this paper would serve as a start. The results of such studies would suggest the potential market for such a program and the type of annuity/reverse mortgage scheme that might be most popular or acceptable.

A decision is required on whether or not the Province should initiate further research and discussions on the concept or whether this aspect should also be left to the private sector.

APPENDIX I

ALBERTA LIFE EXPECTANCY TABLES

B. N. SHEPP & ASSOCIATES LTD.

ACTUARIES AND EMPLOYEE BENEFITS CONSULTANTS

440 - 9939 - JASPER AVE.
EDMONTON, ALBERTA T5J 2W8

PHONE (403)423-4720

March 12, 1979

Mr. M. Jiwaui,
Alberta Housing and Public Works,
Housing Registry,
10th Floor,
10050 - 112 Street,
Edmonton, Alberta.

Dear Mousa:

Re: Alberta Life Expectations

Attached please find a listing of life expectations for males and females based upon the Alberta 1970/1972 life table.

I trust you will find the attached in order, however, should you have any questions please do not hesitate to call.

Yours truly,

Bill Keech

W. R. Keech,
Vice-President, Pension Services.

WRK/gjb

c.c. Mr. D. Bairstow

LIFE EXPECTATIONS

Based on Alberta 1970/1972 Life Tables

AGE	MALE	FEMALE
50	25.8872	30.8764
51	25.0578	29.9846
52	24.2366	29.0989
53	23.4253	28.2198
54	22.6253	27.3478
55	21.8373	26.4831
56	21.0620	25.6260
57	20.2994	24.7765
58	19.5496	23.9346
59	18.8113	23.0997
60	18.0834	22.2710
61	17.3662	21.4486
62	16.6612	20.6335
63	15.9708	19.8270
64	15.2974	19.0294
65	14.6420	18.2400
66	14.0052	17.4598
67	13.3869	16.6908
68	12.7867	15.9360
69	12.2036	15.1973
70	11.6362	14.4756
71	11.0843	13.7718
72	10.5480	13.0870
73	10.0280	12.4222
74	9.5238	11.7772
75	9.0342	11.1510
76	8.5589	10.5440
77	8.0988	9.9571
78	7.6550	9.3920
79	7.2278	8.8492
80	6.8164	8.3278
81	6.4207	7.8278
82	6.0411	7.3497
83	5.6784	6.8944
84	5.3327	6.4616
85	5.0029	6.0503
86	4.6888	5.6599
87	4.3902	5.2901
88	4.1074	4.9412
89	3.8401	4.6125
90	3.5873	4.3028
91	3.3483	4.0110
92	3.1226	3.7366
93	2.9103	3.4793
94	2.7107	3.2384
95	2.5230	3.0126
96	2.3461	2.8009
97	2.1796	2.6026
98	2.0230	2.4173
99	1.8755	2.2444

APPENDIX II

CLASSIFICATION OF CURRENT PLANS BY TYPE

CLASSIFICATION OF CURRENT PLANS BY TYPE

Agency Offering	Name	Area Served	Type
Hambro Provident Assurance Ltd.	Home Income Plan	Britian	Mortgage/Annuity Life Term
Broadview Savings and Loan	Equi-Pay	Cleveland - Ohio, U.S.A.	Reverse Mortgage Term Certain
County Welfare Departments		State of Iowa	(Details not available at time of writing)
Metropolitan Trust Company	Independent Income Mortgage	Metropolitan Toronto (with planned expansion)	Reverse Mortgage Term Certain
B.C. Central Credit Union (Proposal only)		British Columbia	Reverse Mortgage Term Certain (Equivalent to joint life expectancy of owner and spouse)
City of Toronto (Proposal Only)		City of Toronto	Split Equity

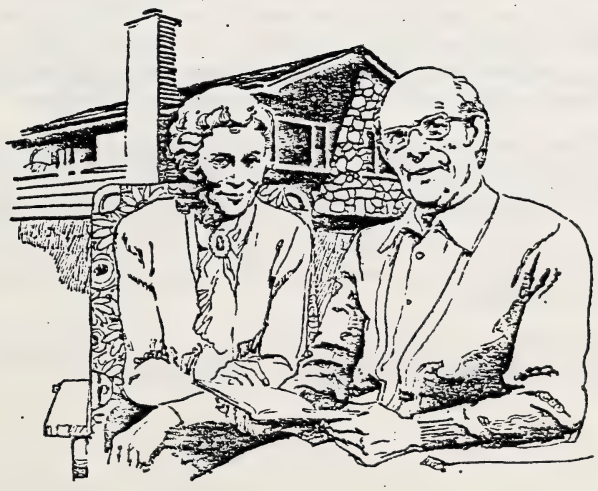
APPENDIX III

THE HOME INCOME PLAN

The Home Income Plan

this plan can offer you

- an immediate increase in income, for life
- facilities to increase the income further at a later date, to help offset the effects of inflation
- the continued security of owning your home



HAMBRO PROVIDENT INSURANCE LIMITED
A member of the Hambro Life Group

Home Income Plans

are issued by Hambro Provident Assurance Limited, a member of the Hambro Life Group

Head Office: 7 Old Park Lane, London W1Y 3LJ Telephone enquiries: 01-499 0031

The Home Income Plan was introduced by this Company in June 1972 and the Finance Act 1974 specifically confirmed the taxation benefit given to elderly people taking out this plan.

The plan offers best value to elderly persons who are basic or higher rate taxpayers and have a potential capital transfer tax liability, giving a tax efficient alternative to selling property or other investments.

The operation of the Plan is quite simple and straightforward. The planholder's solicitors will handle the legal formalities necessary to set up the Plan. Each month the planholder's bank account will be credited with an extra spendable income and in addition, a regular tax repayment may be claimed from the Inland Revenue, if he or she is a taxpayer.

It is not generally appreciated how long persons currently aged over 70 may be expected to live; for example the expectation of life for women ranges from 13½ years at age 70 to 5½ years at age 85 and the corresponding expectations for men are 11 years and 4 years respectively. (These figures are averages and include people living for both longer and shorter periods.)

Hambro Provident Assurance is a wholly owned subsidiary of Hambro Life Assurance. The company was established in 1964 and has life funds exceeding £25 million.

Hambro Life Assurance is one of the largest life assurance companies in the United Kingdom. It manages funds in excess of £400 million and has over 300,000 policyholders. The company is an associated company of the Hambros Bank Group of companies which was established in 1839.

Hambros Bank is Britain's largest merchant bank, with assets exceeding £1,000 million and operating in 20 different countries.

The Prudential Insurance Company of America, the biggest insurance company in the world, owns approximately 8% of the equity share capital of Hambros Limited.

Directors:

M. S. Lipworth, B.Com., L.L.B. (Chairman) C. J. Perrin J. M. Selwyn, F.C.A. (Managing) M. A. Weinberg, B.Com., L.L.M

Inflation . . .
is this your problem?

If you are on a fixed income or pension, then you are faced with the problem of keeping up with the **sharply rising cost of living.**

This means either using up capital – or keeping your capital intact and suffering a lower standard of living each year as a result.

Yet you may own and want to retain your own home and keep other very valuable investments; indeed there are tax reasons for doing so.

The question is: how can you retain this home ownership, and at the same time make use of it to increase your spendable income, without interfering with your way of life?

The solution

If you are a man aged 65 or over, or a woman aged 68 or over, and own your own home worth at least £10,000, the **Home Income Plan** can offer you an increased income for life – with special tax advantages – as explained overleaf. (If you are married, both you and your partner must be aged 72 or over).

And you can later increase this income further, to help offset the effects of inflation.

Thus your home becomes an income producing investment for your future years enabling you to maintain, and perhaps even raise, your standard of living.

The Plan...

In simple terms, you get an **increased income for life** from the insurance company. In return, the home will be sold on your death and part of the proceeds paid to the insurance company – the rest will go to your heirs.

This is how it works:

1. The insurance company gives you a loan which is repayable on death with no capital repayments during your lifetime.
2. The loan is used to buy you a lifetime income.
3. Part of this income pays the interest on the loan – the rest you are free to spend.
4. You receive a regular tax refund, if you are a taxpayer, as the loan interest qualifies for tax relief.
5. The loan qualifies for Capital Transfer Tax relief.

Increasing your income later

One of the great benefits of the Plan is that if your home continues to rise in value, you can later increase your Plan – the insurance company agrees to increase your lifetime income, and in return will receive an additional amount out of the proceeds of the home after your death.

The growth in value of your home is usually free of Capital Gains Tax, and thus very worthwhile retaining.

763-4 (7/75)

Example

If you are a woman aged **75**

owning a house worth **£12,500**

you would obtain an income for life of **£577 p.a.**
(see notes below)

After your death, the insurance company will receive £10,000 of the proceeds of the house – the rest goes to your heirs.

e.g. after 10 years, if house prices have risen by 8% p.a., the house would be worth **£27,000**

and the proceeds would be split

- **£10,000** to insurance company
- **£17,000** to your heirs

Increasing your income later

If house prices rise at 8% p.a., you could ask the insurance company to increase your income to **£985 p.a.** after 5 years

in return the insurance company's share of the ultimate proceeds of the house would be increased to £14,700 (approx. 80% of the increased house value).

For a woman aged 80, assuming the house values and loans shown above, she would obtain an initial income of £868 p.a. rising to £1,476 p.a. after 5 years.

Notes:

1. An illustration showing the full details for your professional adviser is shown on page 5.
2. The income figures above are shown for a person who is a basic rate taxpayer. The figures for you may be different according to your tax position (as well as your age): this is explained in a note on page 6, addressed to your professional adviser.
3. In addition to the income, you would continue to benefit from owning your home, and have the same potential capital growth as before.

Some special plans for single persons

The Home Income Plan can also be adapted to meet some special situations.

(i) **Capital Protection Plan** (minimum ages Male 68, Female 72) Plan A

If you have a health problem you may be concerned about the position of your heirs if you die early. By foregoing part of the increased income you can obtain maximum capital protection for them.

During your lifetime, you can choose to receive a slightly lower income than under the normal basis, but the insurance company guarantees that on early death a capital sum will be refunded to your estate. The amount of refund depends on how long the plan has been in force and will be equal to the loan amount less the total gross annuity payments made to the date of death.

If you wish to apply for an increased income later on, the increase could be taken under the Capital Protection plan even though the original income was not on that basis.

(ii) **Cash sum at Outset** (minimum ages Male 68, Female 72) Plan C

You may have an outstanding mortgage on your home or you may need to raise a cash sum to pay for some repairs. The plan can be adapted so that you receive 8% of the loan as a cash sum at outset and a slightly reduced income for life.

For married couples

In the case of a married couple, the income continues as long as either of you is alive – and the capital is not repayable until the second death. This means that, if for example you were to die first, your wife would continue to receive the increased income for her lifetime, and would have the security of knowing that she could continue to live in the home for the rest of her life.

Technical information for your professional adviser

Structure of the Plan

(i) The Company grants a special mortgage loan of up to 80% of the valuation of the house (minimum loan £8,000). The special mortgage is on an "interest only" basis – the capital is repayable only after the death of the Planholder.

(ii) The full amount of this loan is applied in purchasing an annuity, which provides a monthly income for life.

(iii) The mortgage interest is at a fixed rate during the Planholder's lifetime of 9% p.a. Capital Protected Plan (A), 6% p.a. ceasing on Death Plan (B), 7% p.a. Cash Sum at Outset Plan (C), and is automatically deducted from the annuity income each month –the difference is paid to the Planholder. In addition, depending on the tax position of the Planholder, there may be a tax reclaim from the Inland Revenue.

(iv) On death, the loan is repaid, usually out of the proceeds of the house. The balance of the value of the house passes to the heirs. After the death of the Planholder (and the survivor in the case of a married couple), interest will be at National Westminster Bank Ltd. Base Rate plus 3% p.a., with a minimum of 8% p.a., and added to the loan amount each month.

Increasing the income in later years

Provided that the value of the home is sufficient, an increased income may be taken at any time and more than one increase may be obtained. Thus if the home increased in value, the loan may subsequently be increased (minimum additional loan £2,000) to help meet the increase in the cost of living. The increased mortgage interest will be deducted from the increased monthly income, the difference being paid direct to the Planholder.

Detailed illustration

For a woman aged 75, owning a house worth £12,500

Income

The gross annuity shown in the first column is **guaranteed for life.** The figures in the second column assume that the value of the house increases by 8% p.a. and that the loan (and the income for life) is increased accordingly at the beginning of the 6th year:

	Income in first 5 years £	Income from 6th year £
1. Gross annuity payable for life	999	1,601
2. Less income tax	26	34
3. =Net annuity	973	1,567
4. Less interest, at a fixed rate	600	882
5. =Actual annual income received from the Insurance Company (in monthly instalments)	373	685
6. Add tax refund from Inland Revenue on interest deducted (see page 6)	204	300
Effective increase in annual income (for a basic rate taxpayer)	577	985
If annuitant is a non-taxpayer, effective increase in income would be (item 1 minus item 4)	£ 399	£ 719

Note:

(i) The income figures above are shown for a person who is a basic rate taxpayer. The figures may be different according to the planholder's tax position (as well as age).

(ii) The increased income from the 6th year is illustrated on the basis of the Company's current annuity rates. The actual increases will depend on the annuity rates in force at the time of each increase.

(iii) A woman of 75 has an expectation of life of over 10 years.

Capital Passing to Estate

Assuming the value of the home increases by 8% p.a. and an increased loan is taken:

	Death during 1st year £	Death during 6th year £	Death during 11th year £	Death during 16th year £
Estimated value of house	12,500	18,366	26,986	39,652
Less loan repayable to insurance company	10,000	14,700	14,700	14,700
Net return to estate	£ 2,500	£ 3,666	£ 12,286	£ 24,952

Important: These figures for the net return to the estate are illustrated during the 1st and 6th years for the **least favourable situation.** namely that death occurs immediately after the loan has been taken out or increased. If death occurs during the intermediate years, it may be expected that the house has increased in value, while the loan will have remained static.

The tax position

Taxation is a complicated subject and the following is a detailed analysis of the tax position. You are advised to show these details to your professional adviser.

On the annuity income

For tax purposes, the annuity income is divided into a non-taxable "capital element" (which is the greater part of the annuity) and a taxable "interest element". The income payments you receive are after deduction of the gross mortgage interest and tax at the basic rate on the interest element of the annuity income. If the basic rate changes, the net income will be adjusted accordingly.

On the mortgage interest

Under the Finance Act 1974, the interest on the mortgage loan is eligible for tax relief provided the loan is secured on the annuitant's main residence. Under current law, tax relief is limited to interest on a loan of not more than £25,000.

If you are not a taxpayer

You will not be able to claim tax relief on the mortgage interest, but you will be entitled to obtain a refund of the tax deducted from the annuity income. The effect of this is that you will have a lower increase in spendable income.

If you pay limited tax

If the overall income on which you pay tax is less than the mortgage interest, the tax relief on the mortgage interest will be limited accordingly. The effect is that the increase in spendable income would be less than for a basic rate taxpayer, but still greater than for a non-taxpayer.

If you are a higher rate taxpayer

If you pay tax at a higher rate, there will be a greater effective increase in spendable income than is shown in the example on page 3, which allows only for basic rate tax. The additional benefit would normally be the higher rate tax relief on the difference between the mortgage interest and the taxable element of the annuity income.

On increasing your income payments

If you choose to increase your mortgage and thus to receive additional income, no tax is payable on the exercise of this option.

Tax certificates

Each quarter, the Company issues two certificates which gives details of (1) the mortgage interest paid and (2) the income tax deducted from the annuity income. These certificates should be submitted to your adviser or Inspector of Taxes for the purpose of calculating any tax refund.

Capital Transfer Tax

The Plan enables you to make use of the capital tied up in your house during your lifetime and it can also secure for your family Capital Transfer Tax advantages when you die. On death the loan which is repaid to the insurance company is treated as a debt against your estate thus reducing its size and the liability to Capital Transfer Tax.

Note: This booklet is drawn on the basis of the Company's understanding of the effect of current law and Inland Revenue practice, and assumes that the annuity will be treated by the Inland Revenue as a purchased life annuity within the meaning of the Income and Corporation Taxes Act 1970. There can, of course, be no guarantee as to future changes in law or taxation or Inland Revenue practice.

Some questions often asked

Question *Can I move under the plan?*

Answer Yes, you may move whenever you wish. If you move to another home of similar or higher value, your plan would in effect be transferred to the new home. If you move to a home of lower value, you would have to repay part of the loan out of the proceeds of the first home. You will be responsible for the legal and valuation fees.

Question *What happens if I want to sell my home and not buy another?*

Answer If you decide not to buy another home (for example, because you go to stay with relatives or move into a nursing home), the loan will be repaid out of the proceeds of the home and you will retain the balance. You will continue to receive an even higher income for your lifetime, because the mortgage has been repaid early and there are no longer any interest payments.

Question *Is it fair to my heirs to take out this Plan?*

Answer The whole point of the Plan is that it gives you a higher income during your lifetime – in exchange for which your heirs will receive less on your death. In these inflationary times, we think that most children would recognise that it is more important for their parents to enjoy a significant increase in income during their lifetime than to leave a larger estate on death. It is obviously up to you to make the decision in the light of your personal circumstances. You should consider that the loan qualifies for Capital Transfer Tax relief.

Question *Do I benefit if the value of the home continues to rise?*

Answer One of the great benefits of the Plan is that any increase in the value of your home belongs to you, not to the insurance company. As mentioned before, you can use the future rise in the value of your home to increase your Plan – the insurance company agrees to increase your lifetime income, and in return will receive an additional amount out of the proceeds of the home after your death.

Question *What type of property is acceptable?*

Answer Any freehold house. Or, any leasehold house or flat (excluding converted flats and maisonettes) having an unexpired term of not less than 80 years. It must be worth not less than £10,000 and be readily saleable in the opinion of an independent firm of professional valuers, who will inspect your property by mutual arrangement. No part of the property must be let or sub-let, either now or after taking out the Plan.

Request for Home Income Plan—see over

Procedure

Obtaining an individual illustration

To obtain an individual illustration complete the request form at the bottom of this page and send it to your insurance broker or adviser. If you do not have an adviser you may send it direct to the Company. It is important that every application should be preceded by an individual illustration and the number entered on the application form.

Applying for the Plan

To consider your application, the Company requires:

(1) the completed application form

(2) a cheque for the valuation fee made payable to Hambro Provident Assurance Limited, based on your estimate of the value of the home.

(3) your birth certificate(s) and, in the case of a married woman or widow, your marriage certificate.

Valuation and Valuation Fee

Our company will have the property valued by a Surveyor, in order to determine the amount of the loan we are able to offer. The Surveyor appointed by the Company will contact you to arrange a convenient appointment.

The valuation fee, based on the total value of the property, is £30 for a property valued at £10,000, plus £2.20 for each additional £1,000 or part (e.g. for a house with an estimated value of £18,000, the fee would be £30 plus 8 x £2.20=£47.60).

If the Plan is completed, the valuation fee will be returned to you in full.

If the Plan does not for any reason proceed after the valuation has been undertaken, the fee is not returnable as the Surveyor will have completed his valuation report.

Procedure after Valuation

On receipt of the valuation report, our company will send you a letter confirming the terms. The papers are passed to solicitors for the necessary legal formalities to be completed. If the Plan is completed the Company will pay its own valuation fees and solicitors' costs and contribute to the houseowner's solicitors an amount which is normally sufficient to cover their costs.

Request for Home Income Plan Illustration

Please send me illustration(s) for a Home Income Plan

Name and Address :

Estimated value of property : £ Loan required : £

Age(s) of Houseowner(s) : Male age Female age

If you have a special situation requiring an alternative plan (and are not married), please tick the box:

(i) Cash sum at outset ☐ (ii) Capital protected annuity ☐

Hambro Provident Assurance Limited
7 Old Park Lane, London W1Y 3LJ Telephone: 01-499 0031

Application for a Home Income Plan

Hambro Provident Assurance Limited
7 Old Park Lane, London W1Y 3LJ
Telephone: 01-499 0031

(Please complete in BLOCK CAPITALS)

(If in joint occupation, e.g. husband and wife, both persons should complete)

Illustration No:

(Delete where applicable)
Married/Single/
Widow/Widower

Name in full : (a) Mr./Mrs./Miss

(b) Mr./Mrs./Miss

Place of birth : (a) (b)

Date of birth : (a) (b)

All applicants must provide birth certificates. A married woman or widow must give her maiden name and forward her marriage certificate as well.

The plan is normally written as an annuity which ceases on death. (Plan B)

If you have a special situation requiring an alternative plan (and are not married), please tick the box:

(i) Cash sum at outset ☐ (Plan C) (ii) Capital protected annuity ☐ (Plan A)

Property

Owner :

Address :

Description : House ☐ Flat ☐ (purpose built) Freehold ☐ Leasehold ☐

(if leasehold, unexpired term of years at a rental of £ per year)

Approx date built : Estimated present value : £

Purchase price : £ Existing Mortgage : £

Year of purchase : Telephone No. :

Are there any members of your family living with you in the property? :

Are there any other persons occupying the property and if so upon what terms? :

Name of Solicitor : Partner:

Address :

I/We apply for a loan of £ on the security of the above property in which I/We reside towards the purchase of the Annuity. I/We understand that (1) the valuation fee of £ enclosed herewith is only returnable once the Surveyor has been instructed if the loan is completed; (2) the Surveyors' report is the confidential property of the Company and any offer of a loan will not imply any warranty as to the soundness of the construction or the condition of the property; (3) once the matter is placed in the hands of your Solicitors and I/We shall henceforth be responsible for their extra professional charges if the loan is not completed. I/We declare that the foregoing statements are true and shall be the basis of the proposed contract between me/us and the Company.

Signed: (a)

(b)

Date:

Name and address of Bank to whom the net income is to be paid and whose receipts will be binding on the policyholder(s) until this mandate is withdrawn by the annuitant(s) (all monies must be paid to Bankers).

Bankers : Account No. :

Address :

Bank Code No. : Account Name:

Expectation of Life Tables – Annuitants

Illustrating:

(a) average number of years elderly people can be expected to live having attained the age shown (people live for both longer and shorter periods as illustrated in (b) below);

(b) number of elderly people likely to survive 5, 10, 15 or 20 years, based upon 100 having attained the age shown.

(a) Expectation of Life

Age	Men	Women
	years	years
65	13.9	17.2
66	13.3	16.4
67	12.6	15.7
68	12.0	15.0
69	11.4	14.3
70	10.8	13.6
71	10.2	12.9
72	9.6	12.2
73	9.1	11.6
74	8.6	11.0
75	8.1	10.4
76	7.6	9.8
77	7.2	9.2
78	6.7	8.7
79	6.3	8.2
80	5.9	7.7
81	5.5	7.2
82	5.2	6.7
83	4.9	6.3
84	4.5	5.9
85	4.2	5.5
86	4.0	5.1
87	3.7	4.8
88	3.4	4.5
89	3.2	4.2
90	3.0	3.9

(b) Number of People likely to survive 5, 10, 15 or 20 years

Age	Men				Women			
	5 years	10 years	15 years	20 years	5 years	10 years	15 years	20 years
65	86	67	45	23	91	78	61	39
66	85	64	41	20	90	76	57	36
67	83	62	38	17	89	74	54	32
68	82	58	34	15	88	72	51	28
69	80	55	31	12	87	69	47	25
70	78	52	27	10	86	66	43	21
71	76	49	24	8	84	64	39	18
72	74	45	21	6	83	60	36	15
73	72	42	18	5	81	57	32	12
74	69	38	15	4	79	54	28	10
75	67	35	13	3	77	50	25	8
76	64	31	10	2	75	47	21	6
77	61	28	8	1	73	43	18	5
78	58	25	7	1	70	39	15	4
79	55	22	5	1	68	36	13	3
80	52	19	4		65	32	10	2
81	49	16	3		62	28	8	
82	46	14	2		59	25	6	
83	43	12	2		56	22	5	
84	39	10	1		53	19	4	
85	36	8	1		49	16	3	
86	33	6			46	13		
87	30	5			42	11		
88	27	4			39	9		
89	24	3			35	7		
90	22	2			32	5		

Features

1. The essential feature of the Home Income Plan is that it enables elderly home owners to increase their net spendable income without having to:

 (a) Sell their homes or move; or
 (b) Sell or liquidate their other investments.

2. What alternatives are there to taking out a Home Income Plan

 (a) Moving to an old peoples home;
 (b) Moving to relatives;
 (c) Taking in lodgers or sub-letting;
 (d) Selling the home and buying a smaller one or renting accommodation, using the capital released to buy an annuity or other investment;
 (e) Being supported or subsidised by relatives.

 None of these alternatives is attractive to a person who wishes to be independant and to continue to live in his or her own home of many years standing. The Home Income Plan avoids these alternatives.

3. By using their homes as security to purchase the Home Income Plan they:

 (a) Do not have to lay out cash;
 (b) Continue to live in their homes;
 (c) Continue to enjoy the benefit of capital growth on their homes.

4. It is not always appreciated by elderly people that life expectancy is greater than they may think. It is important to be aware of the number of elderly people who are likely to survive 5, 10, 15 and even 20 years. For example, taking 100 annuitants aged 75 the figures are as follows:

Number likely to survive	*Women*	*Men*
5 years	77	67
10 years	50	35
15 years	25	13
20 years	8	3

 A full table is shown overleaf.

5. With inflation likely to continue for the foreseeable future, an increasing net income is needed to maintain living standards. Thus, for example, assuming an annual inflation rate of 8% per annum, a woman of 75 needing net income of, say, £2,000 per annum now would need a net income of £2,900 in 5 years' time and £4,300 in 10 years time just to maintain her standard of living in real terms. The prospect of outliving one's available capital is a very real worry in these circumstances.

 However, as the value of property increases, so an increased income can be obtained from an HIP to counteract the effects of inflation, thereby providing protection against outliving capital. This is an advantage not shared by an ordinary annuity purchased out of capital.

6. In these inflationary times the elderly home owner enjoys the real growth in value of his or her home while having a fixed capital and fixed interest loan that is generally repayable only on death. If house prices increase at the same rate as inflation generally, the effective cost, in today's values, of repaying a Fixed loan reduces as time passes. For instance, with a inflation rate of 8% per annum, repayment of a loan of £10,000 in 10 years time would be equivalent to paying back only £4,630, if looked at in terms of today's purchasing power of the £. Moreover, the effective cost of the plan is reduced by any Capital Transfer Tax that would otherwise be payable.

HAMBRO PROVIDENT ASSURANCE LIMITED
A member of the Hambro Life Group of Companies
7 Old Park Lane, London W1Y 3LJ
Telephone: 01-499 0031

CONSUMER CREDIT ACT 1974

On July 1st 1978 the provisions of the Act requiring Credit Brokers to be licensed comes into force.

This will affect:-

a) Top Ups under The Home Income Plan of £5,000 or less (Top Ups of more than £5,000 are not affected, unless written as a Plan C)

b) The Home Income Plan Plan C (under which the Planholder takes 8% of the loan in cash).

All other Home Income Plans are unaffected.

Because of the provisions of the Consumer Credit Act 1974, before providing you with a quotation for one of the Plans mentioned above, Hambro Provident will need to see your current Credit Brokers licence and will not be able to proceed with this matter unless you already have one.

Licences are available from:

Consumer Credit Licensing Branch
Office of Fair Trading
Government Buildings
Bromyard Avenue
Acton
London W3 7BB

or your local Training Standards Officer (usually based at your local Town Hall).

The fee is £45 and the licence is valid for three years.

1st May 1978

The Home Income Plan

Following a revision of annuity rates, the Detailed Illustration on page 5 of the booklet will show improved benefits for a woman of 75, as follows:

	Income in first 5 years £	Income from 6th year £
1. Gross annuity payable for life	1,034	1,642
2. Less income tax	38	48
3. =Net annuity	996	1,594
4. Less interest, at a fixed rate	600	882
5. =Actual annual income received from the Insurance Company (in monthly instalments)	396	712
6. Add tax refund from Inland Revenue on interest deducted (see page 6)	204	300
Effective increase in annual income (for a basic rate taxpayer)	600	1,012
If annuitant is a non-taxpayer effective increase in income would be (item 1 minus item 4)	£ 434	£ 760

The income shown on page 3 should accordingly be read as £600 p.a. in place of £577 p.a. and £1,012 p.a. in place of £985 p.a.
(For a woman aged 80 the initial income is £876 p.a. increased from £868 p.a.)

APPENDIX IV

EQUI-PAY

LET BROADVIEW WORK OUT AN EQUI-PAY LOAN FOR YOU

In this limited space, we obviously can't detail exactly what you could receive from an Equi-Pay loan. If you'd like to learn more about Equi-Pay, stop in at any of our offices. Broadview wants to help you to enjoy the equity in your home now with an Equi-Pay loan without selling your home.

Payment tables in this brochure are based upon an 8-3/4% interest rate. Actual payments may vary slightly from these examples, depending upon the interest rate in effect at the time your loan is made.

BROADVIEW SAVINGS

Mortgage Loan Division
4200 Rockside Road
Independence, Ohio 44131

A Subsidiary of Broadview Financial Corporation

You paid for your home... now let it pay you with



a new way to cash in the equity you have in your home without selling your home... available only at

BROADVIEW SAVINGS



BROADVIEW'S MORTGAGE LOAN RETURNS TAX-FREE MONTHLY TEN YEARS . . . WITHOUT



If you're at a point in your life where your home is paid for (or nearly so) and you're looking for additional income for today's higher living expenses, travel, retirement or whatever — then you should talk to Broadview Savings about the new Equi-Pay loan.

The Equi-Pay loan lets you recover the equity you have in your home and receive — tax free — a monthly check for $120 to $1,500, depending on the value of your home. Payments are made to you every month, for up to ten years. Yet, you can still sell your home at any time. And, you receive federal income tax deductions every year for real estate taxes and the interest you have paid.

You've worked hard to build up the equity in your home . . . why not put that equity to work for you, now?

EQUI-PAY SAMPLE REPAYMENT SCHEDULES $48,000 LOAN

Based on $1,250 closing costs advanced $60 monthly property taxes, $15 monthly property insurance premium, and an 8¼% annual interest rate.

FIVE-YEAR PAYOUT, 25-YEAR PAYBACK
(selected months)

12th month	$137.61
24th month	196.68
36th month	262.30
48th month	334.49
60th month	413.24
61st & succeeding months	469.55

SEVEN-YEAR PAYOUT, 23-YEAR PAYBACK
(selected months)

12th month	$120.11
24th month	154.49
36th month	203.24
48th month	251.56
60th month	303.06
72nd month	360.74
84th month	421.89
85th & succeeding months	470.91

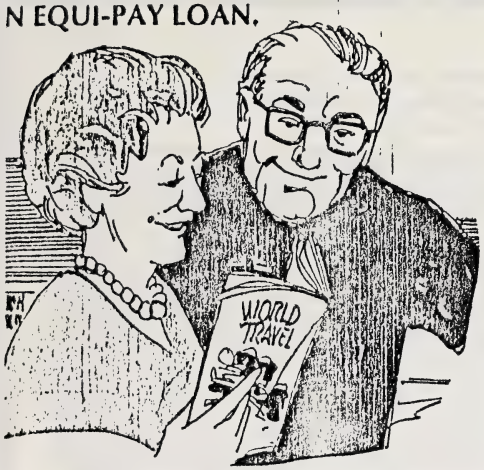
TEN-YEAR PAYOUT, 20-YEAR PAYBACK
(selected months)

12th month	$106.11
24th month	128.86
36th month	153.80
48th month	181.36
60th month	212.47
72nd month	245.68
84th month	282.44
96th month	323.11
108th month	368.18
120th month	417.61
121st & succeeding months	498.26

(Open Fold-over Flap)

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ET'S LOOK AT NUMBERS — ERE'S WHAT YOU CAN ECEIVE FROM N EQUI-PAY LOAN.



eet John and Mary Smith. John has just re-ed, and he and Mary want to see the parts the world they've only seen in movies or on evision. The Smiths don't want to sell the me they've worked for over the last 25 years, hich they recently finished paying for. But, th taxes, utility bills, and maintenance costs ing what they are, they really can't afford to vel and keep their home, too, because John's tirement income isn't enough to let them both.

suming their home is worth $60,000, let's look the monthly income an Equi-Pay loan can ovide. The maximum total Equi-Pay loan is % of the property value; thus, the Smiths ould qualify for a $48,000 loan. The monthly ecks, which increase each year over the term the payout period, would be as follows:

	MONTHLY PAYMENTS TO JOHN AND MARY BY BROADVIEW										
	1ST YEAR	2ND YEAR	3RD YEAR	4TH YEAR	5TH YEAR	6TH YEAR	7TH YEAR	8TH YEAR	9TH YEAR	10TH YEAR	BALANCE*
FIVE-YEAR PLAN	$600	$675	$750	$825	$900	—0—	—0—	—0—	—0—	—0—	$3,000
SEVEN-YEAR PLAN	$400	$450	$500	$550	$600	$650	$700	—0—	—0—	—0—	$1,800
TEN-YEAR PLAN	$240	$260	$285	$315	$355	$380	$420	$465	$515	$565	$2,400

*Balance covers closing costs, including interest to date of first disbursement, reserve for real estate taxes and reserve for property insurance, with the balance held interest free and disbursed with the last monthly payment.

Let's assume John and Mary selected the five-year plan. Their monthly check is for $600 each month during the first year, and for $900 during the fifth year. At the same time they are receiving monthly checks, they begin repaying the loan, including interest on funds disbursed to them (as shown in the chart below) up to that time, $1 of principal, property taxes, and insurance. So, the payment gradually rises each month. If we assume a constant $60 per month for property taxes and $15 for insurance, their typical payments would be as follows:

MONTHLY PAYMENTS TO BROADVIEW BY JOHN AND MARY (Selected Months)					
	12TH MONTH	24TH MONTH	36TH MONTH	48TH MONTH	60TH MONTH
Principal	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Interest	61.61	120.68	186.30	258.49	337.24
Taxes	60.00	60.00	60.00	60.00	60.00
Insurance	15.00	15.00	15.00	15.00	15.00
TOTAL	$137.61	$196.68	$262.30	$334.49	$413.24

Assumes closing costs of $1,250.

TAX FREE NET INCOME TO JOHN AND MARY (Selected Months)					
Five Year Plan	12TH MONTH	24TH MONTH	36TH MONTH	48TH MONTH	60TH MONTH
Received	$600.00	$675.00	$750.00	$825.00	$900.00
Repaid	137.61	196.68	262.30	334.49	413.24
Net Income	$462.39	$478.32	$487.70	$490.51	$486.76

The Smiths' net income from their Equi-Pay loan in the first five years is always above $400 per month since, as their repayments increase, the monthly check to them from Broadview increases.

At the end of the five years, the Smiths have received the full $48,000 originally borrowed. All interest due to date has been repaid, plus $60 of principal. Interest and taxes have been deducted every year on their federal income tax returns. They therefore owe $47,940, to be repaid over 25 years. At an 8¾% interest rate, the monthly payments would be $394.55, plus property taxes and insurance. And, chances are their home is worth even more than it was when the Equi-Pay loan was first made so proceeds from a sale of the house would cover the outstanding mortgage balance plus provide additional equity.

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TABLES

The tables following summarize payout amounts and repayment schedules for other typical Equi-Pay loan amounts. You can arrange an Equi-Pay loan for any amount you wish, up to 80% of the appraised value of your home.

EQUI-PAY FIVE-YEAR PLAN

Property Value	Equi-Pay Maximum Loan	MONTHLY PAYMENTS TO YOU: FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	BALANCE*
$30,000.00	$24,000.00	$ 300.00	$ 337.50	$ 375.00	$ 412.50	$ 450.00	$1,500.00
40,000.00	32,000.00	400.00	450.00	500.00	550.00	600.00	2,000.00
50,000.00	40,000.00	500.00	562.50	625.00	687.50	750.00	2,500.00
60,000.00	48,000.00	600.00	675.00	750.00	825.00	900.00	3,000.00
70,000.00	56,000.00	700.00	787.50	857.00	962.50	050.00	3,500.00
80,000.00	64,000.00	800.00	900.00	1,000.00	100.00	200.00	4,000.00
90,000.00	72,000.00	900.00	1,012.50	125.00	237.50	350.00	4,500.00
100,000.00	80,000.00	1,000.00	1,125.00	1,250.00	375.00	1,500.00	5,000.00

*Balance covers closing costs, including interest to date of first disbursement, reserve for real estate taxes and reserve for property insurance, with the balance held interest free and disbursed with the 60th (end of five years) payment.

EQUI-PAY SEVEN-YEAR PLAN

VALUE PROPERTY	LOAN MAXIMUM	YEAR FIRST	YEAR SECOND	YEAR THIRD	YEAR FOURTH	YEAR FIFTH	YEAR SIXTH	YEAR SEVENTH	BALANCE*
$ 30,000	$24,000	$200.00	$225.00	$250.00	$275.00	$ 300.00	$ 325.00	$ 350.00	$ 900.00
40,000	32,000	266.67	300.00	333.33	366.67	400.00	433.33	466.67	1,200.00
50,000	40,000	333.33	375.00	416.67	458.33	500.00	541.67	583.33	1,500.00
60,000	48,000	400.00	450.00	500.00	550.00	600.00	650.00	700.00	1,800.00
70,000	56,000	466.67	525.00	583.33	641.67	700.00	758.33	816.67	2,100.00
80,000	64,000	533.33	600.00	666.67	733.33	800.00	866.67	933.33	2,400.00
90,000	72,000	600.00	675.00	750.00	825.00	900.00	975.00	1,050.00	2,700.00
100,000	80,000	666.67	750.00	833.33	916.67	1,000.00	1,083.33	1,166.67	3,000.00

*Balance covers closing costs, including interest to date of first disbursement, reserve for real estate taxes and reserve for property insurance, with the balance held interest free and disbursed with the 84th (end of seven years) payment.

EQUI-PAY TEN-YEAR PLAN

Property Value	Maximum Loan	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year	Seventh Year	Eighth Year	Ninth Year	Tenth Year	Balance*
$30,000	$24,000	$120.00	$130.00	$142.50	$157.50	$177.50	$190.00	$210.00	$232.50	$257.00	$282.50	$1,200.00
40,000	32,000	160.00	173.33	190.00	210.00	236.67	253.33	280.00	310.00	343.33	376.67	1,600.00
50,000	40,000	200.00	216.67	237.50	262.50	295.17	316.67	350.00	387.50	429.17	470.83	2,000.00
60,000	48,000	240.00	260.00	285.00	315.00	355.00	380.00	420.00	465.00	515.00	565.00	2,400.00
70,000	56,000	280.00	303.33	332.50	367.50	414.17	443.33	490.00	542.50	600.83	659.17	2,800.00
80,000	64,000	320.00	346.67	380.00	420.00	473.33	506.67	560.00	620.00	686.67	753.33	3,200.00
90,000	72,000	360.00	390.00	427.50	472.50	532.50	570.00	630.00	697.50	772.50	847.50	3,600.00
100,000	80,000	400.00	433.33	475.00	525.00	591.83	633.33	700.00	775.00	858.33	941.67	4,000.00

*Balance covers closing costs, including interest to date of first disbursement, reserve for real estate taxes and reserve for property insurance, with the balance held interest free and disbursed with the 120th (end of ten years) payment.

EQUI-PAY® REVERSE YOUR EQUITY TO YOU IN PAYMENTS FOR UP TO SELLING YOUR HOME!

HOW EQUI-PAY WORKS.

Unlike a conventional mortgage loan, there is no out-of-pocket expense associated with the Equi-Pay loan. We appraise your home and then determine, with you, what monthly payment is available to you. While you are receiving your monthly Equi-Pay check, you pay only the interest (and a token $1 of principal) on the funds received to date.

At the end of the payout period (anywhere from five to ten years) your home is reappraised. We determine, with you, if further Equi-Pay payments can be made, or your loan is placed on regular monthly payments to amortize it over 20-25 years.

In summary: Equi-Pay can provide you with extra tax-free income now — a check a month for up to ten years. There is no out-of-pocket expense for you, and you can sell your home or pay off the loan at any time without penalty. Thus, Equi-Pay is a way for you to receive the equity in your home as tax-free income for up to ten years.



APPENDIX V

THE INDEPENDENT INCOME MORTGAGE



THE INDEPENDENT INCOME MORTGAGE

A new way to cash in on the increased value of your home without selling it

Metro Trust
The Metropolitan Trust Company

AVAILABLE ONLY
FROM



Metro Trust
The Metropolitan Trust Company

MAKING YOUR ENDS MEET



Perhaps you need a little extra money. Especially if you're retired and on a fixed income. You value your independence. You don't want to sell your home. But taxes, upkeep and living expenses are high and getting higher.

The Independent Income Mortgage is designed for you. It converts the value of your home into extra income, which is completely tax free because it is actually a loan. Thus, your home becomes a source of extra income, rather than a financial burden.

A MORTGAGE THAT PAYS YOU WHAT YOU NEED, FOR UP TO TEN YEARS.

Here's how it works. Every year we pay you an amount of money agreed to in advance. The interest you would normally have to pay during that year is deducted from the amount you receive. The principal accumulates in the form of a mortgage on your home.

The second year, the amount is increased so that, after deducting the interest on the total principal outstanding (from last year and the current year), you still receive the amount you chose to receive in year one. In other words, the net annual amount you receive remains about the same, although the interest payments will increase, based on the principal amount outstanding. And so on from year to year.

Because you pay the annual interest charges in advance, when that year's payment is made to you, we reduce the amount of money you actually pay. The reduction is equal to the amount of interest we could earn by investing the prepaid interest in a mortgage for one year.

The Independent Income Mortgage provides you with a lump sum annually so that you can arrange a vacation, buy a car or make other commitments requiring larger amounts of money. You can deposit this lump sum in a Metro Trust Daily Interest Savings Account and draw it out as you need it. In the meantime, it earns extra income.

The Metro Trust Independent Income Mortgage is designed to provide you with regular additional income for up to ten years.

WE GUARANTEE YOU A REASONABLE INTEREST RATE BASED ON MARKET CONDITIONS

At the end of every year of your Independent Income Mortgage, we establish what the interest rate will be for the principal outstanding during the following year. We guarantee to set this interest rate no more than one quarter of a percentage point higher than the mean average offered by Canada's three largest trust companies* on a one year term mortgage — generally the lowest mortgage rate these lenders provide.

Thus, once you enter into an Independent Income Mortgage, you are protected from arbitrary rates in future years.

THE AMOUNT YOU RECEIVE DEPENDS UPON YOUR PROPERTY AND NEEDS

The greater the equity available in your property, the higher the payments can be. However, we strongly advise you to take the lowest possible amount consistent with your needs. After all, this is a loan which must one day be repaid.

The maximum we will lend is an annual amount which, in our estimation, will not in ten year's time exceed 75 percent of the present value of your property. If interest rates are higher than we expect, you may reach the 75 percent limit before the tenth payment. This is because larger amounts would have to be credited to you so that, after deduction of the interest and expenses, you would still be left with the annual amount of income you had requested. To protect against this possibility, we recommend an annual payment level which, at current interest rates, would accumulate to less than 75 percent of the present value of your home, thus allowing an extra cushion of equity.

*By net asset size

If interest rates are lower over the next ten years, the accumulated mortgage loan outstanding at the end of the term will also be lower. We hope it is.

THE COSTS MAY BE SURPRISINGLY LOW.



Here's an example. Let's suppose you have a house valued at $80,000 which you own free and clear. You decide you need an extra $3,000 per year. If interest rates were 11 percent on balance over the 10 years, you will accumulate a $59,100 first mortgage at the end of the 10 year period. This amount includes all costs including legal fees.

You receive $30,000 over the ten year period. However, these payments are really worth more to you in comparison to the $59,100 mortgage obligation because this amount is due after ten years of inflation while the $3,000 annual payments begin now.

But this comparison is incomplete. Because you still own your house. It is probable — though by no means certain — that after ten years, your property will be worth more. Assume a 3.5 percent average annual increase in value (a conservative estimate because in many major urban centres, from 1968 to 1978, residential property rose at an average annual compound rate of more than nine percent). Your $80,000 house would then increase in value by $32,800. Using these figures the Independent Income Mortgage will show no cost at all. The *gain* to you is actually $4,000, assuming you sell your house for its new, higher value in 10 years. (See Table 1.)

If mortgage interest rates average 9.5 percent on balance over the 10 years and all other factors remain the same, your outstanding obligation will be $54,700, the value of payments received will be $30,500 and the increase on your house will be $32,800. That leaves you with a net gain of $8,600. (See Table 2.)

Of course, these are only projections. However, the greatest value of all is keeping your home, enjoying its comforts and not having to incur the costs and dislocations of moving and renting another place to live.

AFTER TEN YEARS, YOU MAY HAVE THREE OPTIONS.

Perhaps interest rates have been moderate and your property has increased in value. You may then have the option to renew the Independent Income Mortgage for another term.

Or you may decide to pay off the accumulated principal at current interest rates and convert to a regular first mortgage, if your income has increased or if members of your family wish to accept the obligation. The normal terms and conditions will apply.

However, you may wish to sell your property at current values, repay the mortgage and keep the remainder.

If you do sell after ten years, what have you gained? Ten years in a home which you might otherwise have had to sell much earlier. Ten years in which you didn't have to pay for other accommodation. And ten years during which your property is likely to continue to appreciate to your advantage.

Should you or your spouse die during the ten year term, the mortgage may be repaid without penalty. Any unused prepaid interest will be returned. However, the remaining spouse can continue the Independent Income Mortgage if they wish — it's their choice.

THERE IS NO INCOME REQUIREMENT.

The Independent Income Mortgage is unlike any other mortgage. You don't need a certain level of income to qualify. It's therefore ideal for people on pensions. Even if you qualify for a regular mortgage loan, the Independent Income Mortgage is much less expensive because it provides you with only the amount of money you need, as you need it. A regular mortgage pays you a single lump sum and you must then pay interest on the entire amount from the beginning.

THERE IS NO AGE LIMIT.

The Independent Income Mortgage is for ordinary homeowners of all ages. It is especially designed for senior citizens who have retired and who need extra income due to inflation.



YOU CAN CANCEL AT ANY TIME.

You may decide in the future that you do not need extra income. Perhaps other sources become available to you or you may decide to sell your home. You may at any time cancel your Independent Income Mortgage by repaying the outstanding amount. Metro Trust is not obligated to refund any unused prepaid interest for that year. However, if you pay off the loan in full at any of your mortgage's annual anniversary due dates, there is no loss of prepaid interest.

A PRIOR MORTGAGE WILL HAVE TO BE REPAID FIRST

The Independent Income Mortgage is a first mortgage loan. If you already have a first mortgage, it will have to be repaid before an Independent Income Mortgage is concluded. Metro Trust may be able to help.

YOU PAY APPRAISAL AND LEGAL FEES.

There is an initial legal fee to establish an Independent Income Mortgage. We add this to your principal so you needn't pay us in cash. There are also small annual inspection fees and disbursements. All costs are fully disclosed to you in advance.

TABLE I

Here's how your Independent Income Mortgage would work on an $80,000 home if interest rates remained constant at 11 percent over 10 years and the value of your home rose at an annual 3.5 percent compound rate over the same period.

Year	*Your Accumulated Mortgage Balance*	*Your Annual Income*	*Estimated Increase in Property Value*
1	$ 3,900	$ 3,013.51	$ 2,800
2	7,800	3,027.03	5,698
3	12,100	3,000.90	8,697
4	16,900	3,025.23	11,801
5	22,200	3,000.00	15,014
6	28,100	3,015.32	18,339
7	34,700	3,016.26	21,780
8	42,000	3,037.84	25,342
9	50,100	3,035.14	29,028
10	59,100	3,043.24	32,843
Total	$ 59,100	$30,259.47	$ 32,843

Add the total income you receive ($30,259.47) to the estimated increase in the value of your home ($32,843). That equals $63,102.47 . . . approximately $4,000 more than your accumulated mortgage.

TABLE II

Here's how your Independent Income Mortgage would work on an $80,000 home if interest rates remained constant at 9.5 percent over 10 years and the value of your home rose at an annual 3.5 percent compound rate over the same period.

Year	*Your Accumulated Mortgage Balance*	*Your Annual Income*	*Estimated Increase in Property Value*
1	$ 3,900	$ 3,061.64	$ 2,800
2	7,700	3,031.96	5,698
3	11,900	3,067.58	8,697
4	16,500	3,068.49	11,801
5	21,500	3,034.70	15,014
6	27,000	3,057.53	18,339
7	33,000	3,036.99	21,780
8	39,600	3,064.38	25,342
9	46,800	3,039.23	29,028
10	54,700	3,054.34	32,843
Total	$ 54,700	$30,516.84	$ 32,843

Add the total income you receive ($30,516.84) to the estimated increase in the value of your home ($32,843). That equals $63,359.84 . . . approximately $8,660 more than your accumulated mortgage.

We have tried to anticipate and answer all your questions, honestly and completely. But no doubt you have more. We invite you to make an appointment with one of our Income Counsellors. If you wish, the Counsellor will work out an exact plan based upon your circumstances. There is no obligation. We're happy just to meet you.

Our Counsellors are not paid on a commission basis. Their job is to provide objective advice. And if you already have a lawyer or accountant assisting you, our Counsellors will give them the information they need.

FOR AN APPOINTMENT, CALL 869-1880
and ask for an Income Counsellor.



Metro Trust
The Metropolitan Trust Company
353 Bay Street, Toronto, Ontario M5H 2T8

APPENDIX VI

AGENCIES, CORPORATIONS AND INDIVIDUALS PROVIDING INFORMATION USED IN THIS REPORT

A. FINANCIAL INSTITUTIONS

1. Canada Trust (Derek J. Warren, Senior Vice President)
 239 - 8th Avenue S.W., CALGARY, Alberta, T2P 1B9 (403) 262-7911

2. First City Realfunds (Ralph I. Ingram, Divisional Vice President)
 1090-650 Georgia St., VANCOUVER, B.C. V6B 4N8 (604) 689- 9144

3. Metropolitan Trust Company (B. Eric Izzard, Vice President - Market-
 ing and Communications), 353 Bay Street, TORONTO, Ont., M5H 2T8
 (416) 869-1890

B. GOVERNMENT

1. British Columbia Ministry of Consumer & Corporate Affairs, Policy &
 Research (Tom Cantell and David Oliver), VICTORIA, B.C.
 (604) 387-1274

2. Central Mortgage & Housing Corporation
 a) Policy & Development Group (Ann Castle)
 b) Program & Market Requirements Division (Dave Das Gupta)
 Montreal Road, OTTAWA, Ont. (613) 746-4611

3. Federal Home Loan Board, WASHINGTON, D.C.

4. Health & Welfare Canada, Policy, Planning & Information Branch
 (Lola Wilson) OTTAWA, Ont., K1A OK9 (613) 996-1233

5. Intergovernmental Committee on Urban & Regional Research,
 (Alan Shefman), 36 Wellesley Street West, TORONTO, Ont.
 (416) 920-7712

6. Statistics Canada (Dr. Leroy Stone, Chief Demographic Adviser)
 OTTAWA, Ont. (613) 994-5889

7. City of Toronto Housing Department (Keith Ward) (416) 367-9111

8. New Brunswick Housing Corporation, Research & Planning Branch,
 (John Campbell) Box 611, FREDERICTON, N.B. (506) 454-5563

9. Nova Scotia Housing Commission, Planning Division, (Laurel Russell)
 P.O. Box 815, DARTMOUTH, N.S. (902) 424-7718

10. Quebec Housing Corporation (Pierre Blanchard, Vice President)
 Edifice "G", 680 Rue St.Amable, QUEBEC, Que. (418) 656-3023

11. Social Services & Community Health, Senior Citizen Bureau
 (Earl Beck) 9th Floor, 7th Street Plaza, EDMONTON 427-6437

12. British Columbia Ministry of Lands, Parks & Housing, (Anne Davis-
 Research Officer) Parliament Bldgs., VICTORIA, B.C. (604) 387-5925

B. GOVERNMENT CONTINUED

13. Ministry of State for Urban Affairs (Ms. M. Hirsch - Chief Information Resource Service) La Salle Academy, Sussex Drive, OTTAWA, Ont. (613) 995-9641

C. OTHER

1. Canadian Council on Social Development (Jan McClain - Housing Director) Parkdale Ave., Box 3505, Sta. A., OTTAWA, Ont. (613) 728-1865

2. Chen, Dr. Yung-Ping, Professor of Economics, 270 Bryn Mawr Avenue BRYN MAWR, Penn., 19010 (215) 688-2888

3. T. Delaney, Inc., Financial Consultant (Tom Delaney) TORONTO, Ont. (416) 366-2564

4. M&M Creations, Consumer Consultants (Mike Grenby), 585 Hadden Drive, WEST VANCOUVER, B.C. V7S 1G8 (604) 926-9936

5. Paterson, Cook Ltd. (Neil Hershfield) 1090 West Georgia St., VANCOUVER, B.C. (604) 688-8591

6. B.N. Shepp & Associates Ltd., Actuarial Consultants (Bill Keech - Vice President) 702-10080 Jasper Ave., EDMONTON, Alta. (403) 423-4720

7. Social Planning Council of Toronto (Jeff Patterson) TORONTO, Ont. (416) 656-1801

8. Woods, Gordon & Co. (Mike McClew) Royal Trust Tower, Toronto Dominion Center, TORONTO, Ont. (416) 864-1212

APPENDIX VII

ADDTIONAL REFERENCES

Additional References

A. PERIODICALS AND REPORTS

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3. Dr. Yung-Ping Chen, "Housing Assets as Potential Income: Implications for Income-Conditioned Programs", The Treatment of Assets and Income from Assets in Income-Conditioned Government Budget Programs, Federal Council on the Aging, Washington, D.C., September 1977, Chapter 6, pp. 149-176.

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8. Jack M. Guttentag, "Creating New Financial Instruments for the Aged", The Bulletin, New York University, 1975.

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B. NEWSCLIPPINGS

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7. "Reverse Mortgages Seniors Salvation?", Leslie Holbrook, Victoria Times, February 26, 1979.

ii) Metropolitan Trust Independent Income Mortgage

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4. "Plan Converts Equity into Cash", Steven Kelman, Financial Times of Canada, March 19, 1979 (also Edmonton Journal, March 27, 1979)

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